

TOWNSHIP OF ELLIS
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Township Officials

Supervisor

Jim Lapeer

Clerk

Sheryl Hilliker

Treasurer

Carolyn Taglauer

Trustees

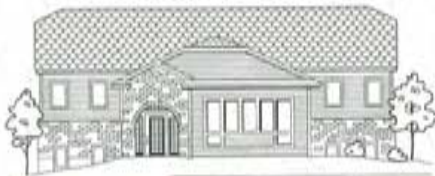
Charles Beebe

Robert Hope

Township of Ellis

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

October 30, 2008

To the Township Board
Ellis Township
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Ellis, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township of Ellis as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP

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ELLIS TOWNSHIP

Cheboygan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Ellis Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Assets at March 31, 2008 totaled \$333,524.25 for governmental activities. Of the total, \$51,115.54 represent general revenue (consisting primarily of state shared revenues and property taxes), \$282,408.75 from road millage. Overall expenses for the Township's governmental activities were \$123,576.21.

The Township has no outstanding debt. The Township purchased one capital asset during the fiscal year. Capital asset activity is addressed further in a subsequent section of the letter.

Overview of the Financial Statements

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. The Township engages in no business-type activities at this time.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide for detailed data.

Required supplementary information further explains and supports the financial statements information with budgetary comparisons.

Government-Wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases/decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may be created by the Township board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

General Fund

All Township activities, except those required to be accounted for in a separate fund, are included in the general fund. The fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed to explain the differences between them. Activities of the general fund are financed primarily by state shared revenue and property tax revenue.

Road Fund

This fund represents the road expenditures (maintenance and improvements), which are financed by property tax revenue. This fund is presented on modified accrual method.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in the category.

Fund Analysis of the Township as a Whole:

Net Assets

The Township's governmental activities net assets increased \$16,492.24 during the year, to total \$333,524.25.


Financial Analysis of the Township's Funds


Capital Assets

The Board purchased 3.46 acres of land adjacent to the Township Hall property for the purchase price of \$23,592.00 with a land exchange of 0.3 acres (across the road of the Township Hall).

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, please contact:


Township Supervisor
Jim LaPeer
7912 Afton Rd.
Afton, MI 49705
231-238-9606


Township Clerk
Sheryl Hilliker
6916 Cut Off Rd.
Afton, MI 49705
231-238-8803

TOWNSHIP OF ELLIS
STATEMENT OF NET ASSETS
MARCH 31, 2008

	Primary Government
<hr/>	
Assets	
Cash and investments	\$ 335,525
Delinquent tax receivable	13,019
Accounts receivable	682
Capital assets, net	44,192
Total assets	<hr/> 393,418 <hr/>
 Liabilities	
Accounts payable	328
Total Liabilities	<hr/> 328 <hr/>
 Net Assets	
Invested in capital assets	44,192
Restricted for road repair and maintenance	291,530
Unrestricted	57,368
Total net assets	<hr/> \$ 393,090 <hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF ELLIS
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

	P r o g r a m R e v e n u e s				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions / Programs					
Primary government:					
General government	\$ 71,402	\$ 8,973	\$ -	\$ -	\$ (62,429)
Public safety	24,461	-	-	-	(24,461)
Public works	28,198	7,250	-	-	(20,948)
Total governmental activities	\$ 124,061	\$ 16,223	\$ -	\$ -	\$ (107,838)
General revenue:					
Property taxes					82,606
State shared revenue					35,709
Interest					8,521
Miscellaneous revenue					582
					<u>127,418</u>
Change in net assets					<u>19,580</u>
Net assets - April 1, 2007					<u>373,510</u>
Net assets - March 31, 2008					<u>\$ 393,090</u>

See accompanying notes to financial statements

**TOWNSHIP OF ELLIS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008**

	<u>Major Funds</u>		
	<u>General</u>	<u>Roads</u>	<u>Total</u>
Assets			
Cash and investments	\$ 51,985	\$ 283,540	\$ 335,525
Property tax receivable	5,029	7,990	13,019
Due from Fiduciary Fund	682	"	682
	<u>57,696</u>	<u>291,530</u>	<u>349,226</u>
Total assets			
	<u>57,696</u>	<u>291,530</u>	<u>349,226</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	328	-	328
Fund Balances:			
Undesignated	<u>57,368</u>	<u>291,530</u>	<u>348,898</u>
	<u>57,368</u>	<u>291,530</u>	<u>348,898</u>
Total liabilities and fund balances	<u>\$ 57,696</u>	<u>\$ 291,530</u>	<u>\$ 349,226</u>

See accompanying notes to financial statements

**TOWNSHIP OF ELLIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund balance - Governmental Funds (per Balance Sheet - page 7)	\$	348,898
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Amounts reported for governmental activities in the Statement of Net Assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds		44,192
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Total net assets of governmental activities (per Statement of Net Assets - page 6)	\$	393,090
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See accompanying notes to financial statements

TOWNSHIP OF ELLIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	<u>Major Funds</u>		
	<u>General</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Properly taxes	\$ 25,502	\$ 48,486	\$ 73,988
Other taxes	6,948	-	6,948
State shared revenue	35,709	-	35,709
Chargos for services	8,973	-	8,973
Metro Act	-	1,670	1,670
Interest	1,863	6,658	8,521
Dump cards	7,250	-	7,250
Miscellaneous revenue	582	-	582
Total revenues	<u>86,827</u>	<u>56,814</u>	<u>143,641</u>
Expenditures:			
Current			
General government	47,253	-	47,253
Public safety	24,461	-	24,461
Public works	14,674	13,524	28,198
Capital Outlay	23,592	-	23,592
Total expenditures	<u>109,980</u>	<u>13,524</u>	<u>123,504</u>
Excess (deficiency) of revenues over expenditures	(23,153)	43,290	20,137
Fund balance - April 1, 2007	<u>80,521</u>	<u>248,240</u>	<u>328,761</u>
Fund balance - March 31, 2008	<u>\$ 57,368</u>	<u>\$ 291,530</u>	<u>\$ 348,898</u>

See accompanying notes to financial statements

TOWNSHIP OF ELLIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Net Change in Fund Balances (per Statement of Revenues, Expenditures and Changes in Fund Balance - Page 9)	\$ 20,137
Amounts reported for governmental activities in the Statement of Activities (page 6) are different because:	
Depreciation expense is recorded in the Statement of Activities, but not in the fund financial statements	(557)
Change in Net Assets of Governmental Activities (per Statement of Activities - Page 6)	\$ 19,580

See accompanying notes to financial statements

TOWNSHIP OF ELLIS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2008

	Assets	
Cash and investments		\$ 682
		<u><u> </u></u>
	Liabilities	
Due to other funds		\$ 682
		<u><u> </u></u>

See accompanying notes to financial statements

TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

NOTE 1: ENTITY

The Township of Ellis is a general law township of the State of Michigan located in Cheboygan County, Michigan. It operates under an elected board and provides service to its residents in many areas including community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Ellis Township.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Township of Ellis are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of the Township of Ellis conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. The effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to those program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other inter-governmental revenues.

Road Fund - This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements (Continued)

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Tax Revenues:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$26,914,700.

The tax rates for the year ended March 31, 2007, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9855 mills per \$1,000
Road (Voted)	1.8718 mills per \$1,000

**TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on an activity level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget prior to April 1; however, for the fiscal year end March 31, 2008 the Township Board did not adopt their budget until April 10, 2007. For the fiscal year ended March 31, 2008, the Township experienced no over- expenditures.

CASH AND INVESTMENTS

Cash and investments includes bank deposits, money market accounts, and certificates of deposits.

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds." All property tax receivables are shown as net of allowance for uncollectible amounts.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Land and construction in progress are not depreciated.

USE OF ESTIMATES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 335,525</u>	<u>\$ 682</u>	<u>\$ 336,207</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Demand deposit accounts	\$ 1,108
Money market accounts	287,820
Certificates of deposit	47,279
	<u>\$ 336,207</u>

NOTE 4: DEPOSITS

The bank balance of the Township's deposits is \$336,207, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 5: CAPITAL ASSETS

Capital asset activity of the Township's activities was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets being depreciated:				
Buildings	\$ 27,839		\$ -	\$ 27,839
Capital assets not being depreciated:				
Grounds		\$ 23,592		\$ 23,592
Accumulated depreciation				
Building and grounds	6,682	557	-	7,239
Net capital assets	<u>\$ 44,749</u>	<u>\$ (557)</u>	<u>\$ -</u>	<u>\$ 44,192</u>

Depreciation expense was entirely charged to the general government function of the Township.

NOTE 6: INTERFUND RECEIVABLE AND PAYABLE

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust and Agency - Tax Collection	\$ 682

The balance owing from the Tax Collection Fund to the General Fund resulted from funds that were disbursed by the Tax Collection Fund subsequent to year-end.

NOTE 7: RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF ELLIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 8: PENSION PLAN

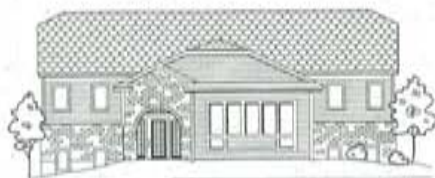
The Township contributes to a defined contribution pension plan through Municipal Retirement, Inc. The Township contributes 8% of all eligible employees' wages. During the year ended March 31, 2008, the Township contributed \$2,624 to the plan on behalf of its employees.

TOWNSHIP OF ELLIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property taxes	\$ 24,500	\$ 24,500	\$ 25,502	\$ 1,002
Other taxes	6,988	6,988	6,948	(40)
State revenue sharing	32,000	32,000	35,709	3,709
Charges for services	6,800	6,800	8,973	2,173
Interest	1,200	1,200	1,863	663
Dump cards	7,200	7,200	7,250	50
Miscellaneous revenue	400	400	582	182
Total revenue	79,088	79,088	86,827	7,739
Expenditures				
Township board	5,300	5,300	4,288	1,012
Supervisor	6,200	6,200	5,977	223
Elections	1,200	1,200	611	589
Assessor	9,200	9,200	9,112	88
Clerk	7,700	7,700	7,547	153
Pension	2,624	2,624	2,624	-
Board of review	900	900	884	16
Treasurer	10,598	10,598	10,598	-
Township hall	30,500	30,500	29,204	1,296
Fire protection	25,000	25,000	24,461	539
Afton street lights	900	900	844	56
Sanitation	18,000	18,000	13,830	4,170
Contingency	4,578	4,578	-	4,578
Total expenditures	122,700	122,700	109,980	12,720
Excess (deficiency) of revenues over (under) expenditures	(43,612)	(43,612)	(23,153)	20,459
Fund balance - April 1, 2007	80,521	80,521	80,521	-
Fund balance - March 31, 2008	\$ 36,909	\$ 36,909	\$ 57,368	\$ 20,459

TOWNSHIP OF ELLIS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property Taxes	48,400	48,400	48,486	86
Metro Act	1,200	1,200	1,670	470
Interest	4,800	4,800	6,658	1,858
Total revenue	54,400	54,400	56,814	2,414
Expenditures				
Public works	56,250	56,250	13,524	42,726
Excess (deficiency) of revenue over (under) expenditures	(1,850)	(1,850)	43,290	45,140
Fund balance - April 1, 2007	248,240	248,240	248,240	-
Fund balance - March 31, 2008	<u>\$ 246,390</u>	<u>\$ 246,390</u>	<u>\$ 291,530</u>	<u>\$ 45,140</u>



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 30, 2008

To the Township Board
Ellis Township
Cheboygan County, MI

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Walter J. Keskin, CPA (Ret.)
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In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Ellis (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Ellis's Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskin, Cook, Miller & Alexander LLP

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Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

October 30, 2008

To the Township Board
Ellis Township
Cheboygan County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Ellis (the Township) for the year ended March 31, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on March 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Respectfully submitted,

Keskin, Cook, Miller & Alexander LLP

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